

# FISCAL NOTE

## SB 1302 - HB 1597

April 4, 2005

**SUMMARY OF BILL:** Reduces the state sales tax on food from six percent to five percent, effective January 1, 2006.

### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - \$35,000,000 FY06  
\$70,000,000 FY07 and thereafter**

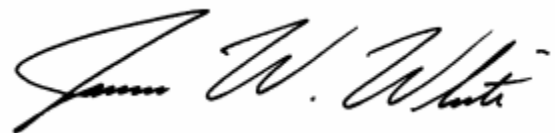
**Decrease Local Govt. Revenues - \$1,450,000 FY06  
\$2,900,000 FY07 and thereafter**

#### Assumptions:

- The taxable sale of food and food ingredients in Tennessee is estimated at approximately \$7.0 billion per year.
- Annual state sales tax revenue on food at the 6% tax rate is estimated at \$420.0 million (\$7.0 billion X 6% = \$420.0 million).
- Estimated annual state sales tax revenue on food at the 5% tax rate is estimated at \$350.0 million (\$7.0 billion X 5% = \$350.0 million).
- Reducing the state sales tax rate on food from six percent to five percent will reduce state tax revenues by approximately \$70.0 million (\$420.0 million - \$350.0 million = \$70.0 million) per year.
- 4.2462% of state sales tax revenue is appropriated to the municipalities within Tennessee.
- Reducing state sales tax revenue by \$70,000,000 reduces local government revenue by \$2,972,340 (\$70,000,000 X 4.2462% = \$2,972,340) from reduced allocation of the state sales taxes to local governments.
- Given the January 1, 2006 effective date, estimates for FY06 are pro-rated.

### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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